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Waterman, Richard

The House and Senate
railroad bills

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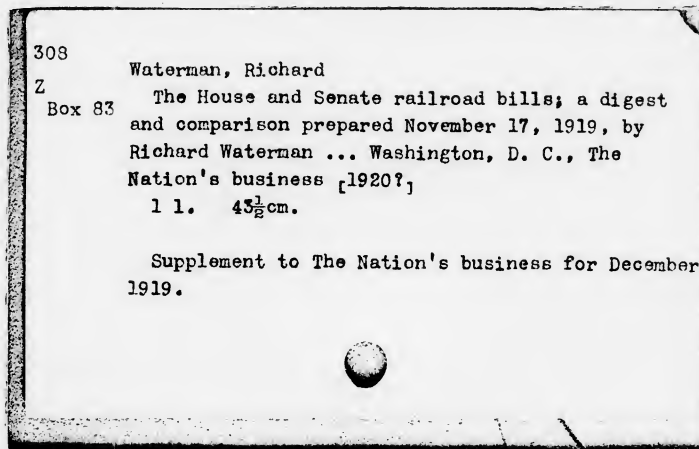
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The House and Senate Railroad Bills

A Digest and Comparison Prepared November 17, 1919, by Richard Waterman

Secretary, Railroad Committee Chamber of Commerce of the United States

The Chamber of Commerce of the United States has prepared for the information of its members the chart printed below showing, in convenient form for comparison, the most important provisions of the two general railroad bills now before Congress. The Esch bill, H. R. 10453, was passed by the House of Representatives November 17, 1919, and at once sent to the Senate for action. The Cummins bill, S. 3288, was reported to the Senate October 22, 1919, by the Senate Committee on Interstate Commerce. It will probably be taken up for consideration by the Senate as soon as the regular session of Congress opens December 1, 1919.

The two bills differ in many important particulars. As soon as the Cummins bill is passed by the Senate the two bills will be sent to a conference committee, which will first harmonize the conflicting provisions and then report out a conference bill that will first be passed by both the Senate and the House and then be sent to the President for his approval.

The Chamber of Commerce has also prepared the following brief summary of the principles of railroad legislation approved by the business men of the country in a referendum vote that was completed July 24, 1919. The summary, after stating a principle, shows in each instance whether or not it has been incorporated in one or both of the bills.

The principles approved by the business men in Referendum 28 of the Chamber of Commerce of the United States are as follows:

(1) Adherence to the policy of corporate ownership and operation with comprehensive government regulation. (*Senate and House bills.*)

(2) Return of the roads to corporate operation as soon as remedial legislation can be enacted. (*Senate and House bills.*)

(3) Adherence to the period of federal control as now fixed unless and until the impossibility of enacting remedial legislation within this period clearly appears. (*Senate and House bills.*)

(4) Permission for consolidation in the public interest, with prior approval by government authority, in a limited number of strong competing systems. (*Senate and House bills.*)

(5) Requirement that railroad companies engaging in interstate commerce become federal corporations with rights of taxation and police regulation reserved for the states. (*Senate bill.*)

(6) Exclusive federal regulation of capital expenditures and security issues of railroads engaged in interstate commerce with provision for notice and hearings for state authorities. (*Senate and House bills.*)

(7) Federal regulation of intrastate rates affecting interstate commerce. (*Senate and House bills.*)

(8) Adoption of a statutory rule providing that rates in each traffic section shall yield an adequate return on a fair value of the property as determined by public authority. (*Senate bill.*)

(9) Creation of a Federal Transportation Board to promote the development of a national system of rail, water and highway transportation and the articulation of all transportation facilities. (*Senate bill.*)

SENATE COMMITTEE BILL

The Cummins bill, S. 3288, introduced October 22, 1919, presents the recommendations of the Senate Committee on Interstate Commerce. It provides for:

Ownership and Operation.

Return of all railroad and transportation systems to corporate ownership and operation on the last day of the month, in which the act is approved.

Consolidation and Competition.

Consolidation of all railroad properties in accordance with a plan previously adopted by the Federal Transportation Board, and approved by the Interstate Commerce Commission, into 20 to 35 separate operating systems, each owned and operated by a distinct Federal corporation—consolidation to be voluntary if accomplished within 7 years, and, thereafter, to be compulsory.

Federal Incorporation.

Federal incorporation of all railroads with a requirement that each corporation shall include in its Board of Directors two representatives of classified employees, and two representatives of the Government.

Security Issues and Capital Expenditures.

Exclusive regulation and control by the Transportation Board of the issuance of stocks or bonds by railway or water common carriers; and, of the purposes to which the proceeds of the sale of such securities may be applied.

Rate Increases.

Continuation of rates that are in effect at the termination of Federal control, until changed by competent authority. Provision that new rate schedules filed with the Commission within 60 days after Federal control ceases, shall become effective within four months after they are so filed, if approved by the Commission.

Rate Districts and Rate Groups.

Requirement that the Commission shall divide the country into rate districts, and the railway carriers into rate groups as an aid in determining the adequacy of rates in producing revenues.

Rule of Rate-Making.

Regulation of all rates that affect interstate commerce, of maximum and minimum rates and joint rates and of the division of joint rates, by the Interstate Commerce Commission under a statutory rule providing that the railway carriers, as a whole, in each rate-making district, shall be allowed to earn an aggregate annual net railway operating income equal as nearly as may be to 5½% upon the aggregate value of their property, and that they may be allowed to retain in addition ¼ of 1%, to pay for net operating improvements that cannot be capitalized. The Commission, at its discretion, may increase the 5½% basis.

Valuation.

Valuation by the Commission of the railway property used for transportation purposes in each rate-making district.

Reserve Funds.

Creation by each road of an individual Reserve Fund, drawn from its excess earnings to support its own credit; and creation by all prosperous roads of a general contingent fund drawn from their excess earnings to support the credit of the railroads of the country as a whole. The Company Reserve Fund may be drawn upon by the carrier whenever its annual net operating income falls below 5% of the value of the property. The general railroad Contingent Fund may be used by the Transportation Board in furthering the public service rendered by the carriers, either by way of purchase, lease of rental of transportation equipment and facilities to be used by the carriers or by way of loans to the carriers.

Consolidation.

Consolidation of all railroads into 20 to 35 systems (whose capitalization in each instance shall not exceed the value of the property) so organized that, with uniform rates, and under efficient management, each can earn substantially the same rate of return on the value of its property.

Government Guarantee.

Guarantee to all railroads, for six months after Federal control ends, of an operating income equal to the standard return for the same period paid during Federal control.

Funding of Debt.

Extension of carrier indebtedness for capital expenditures made by the Government, during Federal control, for a period of ten years with interest at 6%.

Wages and Working Conditions.

Creation of three Regional Boards of Adjustment, each composed of six members—three representing labor and three the railway carriers—to hear and determine all complaints, grievances and disputes other than controversies relating to wages and working conditions; with appeal to the Committee of Wages and Working Conditions in case of a deadlock.

Creation of a Committee of Wages and Working Conditions, composed of eight members—four representing labor and four the railway carriers—to have jurisdiction over controversies respecting wages and working conditions of employees; with appeal to the Transportation Board in case of a deadlock.

In determining the fairness, justice and reasonableness of wages and salaries, the Board shall take into consideration: (a) the scales of wages paid for similar kinds of work in other industries; (b) the relation between wages and the cost of living; (c) the hazards of employment; (d) the training and skill required; (e) the degree of responsibility; and (f) the character and regularity of the employment. Declaration that decisions of the Transportation Board, i. e., of the Government, shall be final; and that railroad strikes and lockouts are unlawful.

Maintenance of the Interstate Commerce Commission with authority.

(1) To fix interstate rates that shall be just, reasonable and adequate;

(2) To determine the valuation of railroad properties;

(3) To prescribe uniform accounting systems for all carriers;

(4) To approve consolidations, and

(5) To exercise all of the other regulatory functions now exercised by the Commission, excepting those transferred to the new Transportation Board.

Creation of a Transportation Board, composed of 5 members appointed by the President:

(1) To prepare and adopt a complete plan for consolidation subject to the approval of the Commission;

(2) To make inquiry continuously concerning (a) the transportation facilities and service of the whole country, and when and how they should be improved; (b) the state of the credit of all common carriers; and (c) the new capital which the public interest may require any carrier to secure.

(3) To represent the public interest in hearings before the Commission;

(4) To recommend to Congress from time to time, such measures and policies as in its opinion will promote and protect the public interest;

(5) To exercise certain executive and administrative functions now exercised by the Commission, including the administration of (a) the car service act; (b) the safety appliance act; (c) the hours of service act; (d) the locomotive boiler inspection act; and others of like character;

(6) To provide, when necessary for the re-distribution of traffic and the joint use of terminal or other facilities;

(7) To exercise exclusive and plenary power over the issuance of securities by carriers;

(8) To serve as a Board of final appeal in labor controversies;

(9) To prepare and publish for the information of shippers the substance of all schedules of coast-going common carriers showing routes, sailing dates and rates charged by each carrier; and

(10) To exercise other important regulatory powers, belonging to the Federal Government.

HOUSE BILL

The Esch Bill, H. R. 10,453, was passed by the House of Representatives, November 17, 1919, and sent to the Senate for action. It provides for:

Return of all railroads and systems of transportation to private ownership and operation, on the last day of the month, in which the act is approved.

Consolidation, unification or merger by purchase, lease, stock control, or in any other way of any two or more carriers, or the pooling of their traffic earnings or facilities, to the extent that the Commission indicates will be in the public interest.

Federal incorporation opposed, because it may be unconstitutional and would probably entail large expense, long delays and a vast amount of litigation.

Exclusive and plenary jurisdiction of the Interstate Commerce Commission over the issuance of stocks, bonds and other securities by any common carrier, the purpose of any proposed issue and the use of the proceeds thereof.

Continuation of rates that are in effect at the termination of Federal control, until changed by competent authority. Requirement, that general increases in rates must be asked by the carriers within sixty days after the return of the carriers to private control.

Creation of regions for incorporation, administration and rate-making purposes, opposed, because it would limit competition, and would make rate-making based on average conditions of carriers within a given region an impossible task.

Regulation of all rates that affect interstate commerce, of maximum and minimum rates and joint rates and of the division of joint rates by the Interstate Commerce Commission under the provisions of section fifteen of the Act to Regulate Commerce as thus amended without defining a new rule of rate-making.

Valuation by the Commission of all property owned or used by every common carrier (as provided in Section 15a of the Act to Regulate Commerce).

Creation by the Government, of a \$250,000,000 revolving fund from which carriers may obtain, during the first two years of resumed private operation, loans bearing 5% interest, and maturing in five years.

Consolidation of two or more railroads permitted whenever the Commission decides that it will be in the interest of better service or economy of operation, or will aid in solving the problem of the weak roads.

Guarantee to all railroads, including short lines and express companies, for six months after Federal control ends, of an operating income equal to the standard return for the same period paid during Federal control.

Extension of carrier indebtedness to the Government, after the rental owed by the Government has been settled, for a period of fifteen years, on demand notes, paying 6% interest.

Creation of three boards of adjustment, each authorized to hear and decide all controversies between the railroads and certain classes of their employees with regard to wages, hours of service and conditions of employment; and three committees on labor disputes to make final decisions on all matters referred to them by the three boards of adjustment.

Board of Adjustment No. 1, composed of eight members—four representing the engineers, firemen, conductors and trainmen, and four representing the railroad executives.

Commission on Labor Disputes No. 1, composed of eight members similarly chosen.

Board of Adjustment No. 2, composed of twelve members—six representing the machinists, boiler-makers, blacksmiths, car-men, sheet-metal workers and electrical workers, and six representing the executives.

Commission on Labor Disputes No. 2, composed of twelve members similarly chosen.

Board of Adjustment No. 3, composed of eight members—four representing the telegraphers, switch-men, clerks, and way and shop laborers, and four representing the executives.

Commission on Labor Disputes No. 3, composed of eight members similarly chosen.

Maintenance of the Interstate Commerce Commission, with eleven, instead of nine members, and with authority to exercise all of its present functions and in addition:

(1) To keep itself informed as to the transportation needs, facilities and services of the carriers;

(2) To authorize the unification, consolidation or merger of two or more carriers, whenever the Commission finds such consolidations to be in the public interest, and, also to authorize the pooling of traffic earnings and facilities;

(3) To exercise jurisdiction over the use, control and supply as well as the movement, distribution and interchange of locomotives and cars, and, also the supply, movement and operation of trains;

(4) To prohibit the extension of present lines or the construction or acquisition of new lines by any carrier until it has obtained from the Commission a certificate of public necessity and convenience;

(5) To require the construction of docks and rail connections between rail and water carriers;

(6) To provide, when necessary, for the re-distribution of traffic; and for the joint use of terminals;

(7) To exercise exclusive jurisdiction over the issuance of securities by carriers;

(8) To order a carrier to install automatic train stop or train control devices; and

(9) To exercise other important regulatory powers belonging to the Federal Government.

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and Senate
Railroad Bills

14 June, 1920 - C.W.

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